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Annual Report 2004-2005

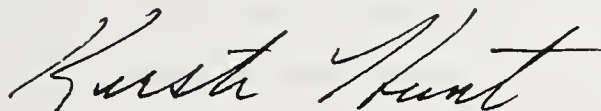
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MEMORANDUM

MEMORANDUM TO: The Honourable Gerry Phillips
Minister
Ministry of Government Services

FROM: Kirsti Hunt
Interim Chair
Alcohol and Gaming Commission
of Ontario

I am pleased to present the 2004-2005 Alcohol and Gaming
Commission of Ontario Annual Report.



Kirsti Hunt
Interim Chair

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MESSAGE FROM THE INTERIM CHAIR

It is a pleasure for me to present the Annual Report of the Alcohol and Gaming Commission of Ontario for the fiscal year 2004/2005.

I would first like to thank all of the members of the Board of the AGCO for their hard work and diligence during the past year. Each has made considerable contributions at our monthly Board meetings, in sub-committee activities and while traveling throughout Ontario to hold public meetings and 492 hearings. All of these contributions have made for a very productive and successful year.

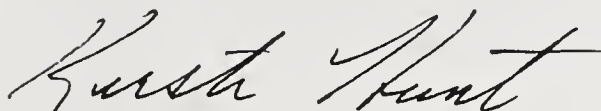
A special note of thanks to **G. R. (Randy) Barber**, who was Chair of the AGCO during most of the period described in this Annual Report. Mr. Barber retired from the Board on March 1, 2005, after three years as Chair and almost nine years on the Board. He has left an indelible mark of excellence on our operations and we wish him the very best in his future endeavours.

I would also like to take this opportunity to congratulate **Jean Major**, the Chief Executive Officer of the AGCO, and his staff for a year full of substantial accomplishments in both the areas of liquor and gaming.

The mandate of the AGCO is to regulate the alcohol and gaming industries in accordance with the principles of honesty and integrity, and in the public interest. The Commission continues to strive towards these goals in a fair and responsive manner. Our objective is to improve in all of our areas of responsibility in the months and years ahead, but the AGCO can definitely be proud of what has already been accomplished.

As the interim Chair of the Alcohol and Gaming Commission of Ontario, I look forward to working closely with all of the management and staff of the Commission to help ensure that regulatory enforcement remains effective but equitable, and that our clients and stakeholders receive the highest level of customer service.

Yours sincerely,



Kirsti Hunt
Interim Chair

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

This past fiscal year has seen many exciting initiatives implemented at the AGCO; all aimed to help us better serve the interests of our customers, clients and the general public, and to reflect an appropriate balance between increased consumer choice, greater business flexibility, stronger enforcement measures, and additional educational mechanisms.

Perhaps the most visible of these developments was the popular introduction of **Bring Your Own Wine (BYOW)** and **Take Home the Rest (THTR)**. Generally, consumers may now bring commercially-made wine to participating licensed establishments and remove partially consumed wine from a licensed premise. The expectation is that more than one thousand of the eligible licensed establishments will choose to participate, creating greater flexibility for both consumers and the hospitality industry.

While these high profile changes captured the headlines, new mandatory signage concerning fetal alcohol spectrum disorder (FASD) became effective on February 1, 2005. FASD describes the birth defects and disabilities caused by a mother's use of alcohol during pregnancy. The FASD initiative, better known as **Sandy's Law**, requires all retail and licensed premises where beverage alcohol is sold or served to post a warning notice concerning FASD.

Other important measures instituted this past year include: the doubling of minimum fines for offences related to liquor and underage persons, allowing the Registrar to immediately suspend a liquor licence where a threat to public safety exists, and the creation of an offence for failing to leave a premise when required to by a police officer.

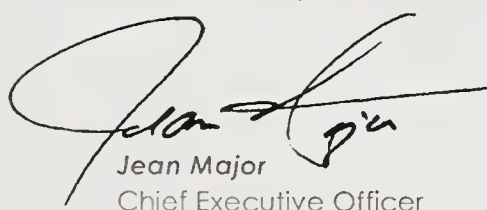
Day to day operations remain the focus of the AGCO. Our Liquor Enforcement Unit conducted more than 22,700 inspections of liquor establishments this year, with 106 liquor licences being revoked and 310 suspended. We also continue to maintain close coordination and cooperation with local law enforcement agencies through joint force operations (JFOs), which target high risk districts and problem establishments.

On the gaming front, the AGCO worked closely with our stakeholders to help strengthen the competitiveness of the charitable gaming sector, particularly with break open tickets (BOT). In partnership with the BOT industry and charitable organizations, we were able to introduce a wide array of measures to help alleviate some of the pressure on this sector.

On the commercial side of gaming, more than 33,600 electronic gaming devices were tested at the **Electronic Gaming Laboratory**. The Laboratory, previously an off-site facility, was relocated to AGCO Headquarters to streamline the approval process and reduce turnaround times for our clients and customers.

I want to thank the Board of the Alcohol and Gaming Commission of Ontario for their assistance and cooperation during this fiscal year. I would also like to thank my management and staff for another year of dedicated and exemplary service.

Yours sincerely,



Jean Major
Chief Executive Officer

OVERVIEW AND KEY ACTIVITIES

The Alcohol and Gaming Commission of Ontario (AGCO) is a regulatory agency established February 23, 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996*. The AGCO also has an adjudicative role, where the Board of Directors of the AGCO hears appeals and conducts disciplinary hearings under applicable legislation, as well as public interest hearings.

Our Vision

A leader in the alcohol and gaming sectors through effective regulation and services that are fair, responsive and in the broader public interest.

Our Mandate

To regulate the alcohol and gaming sectors in accordance with the principles of honesty and integrity, and in the public interest.

Our Mission

The AGCO commits to conducting business in a manner that will:

- Develop, implement and enforce fair policies and procedures.
- Establish a framework of critical regulatory controls in the public interest that are sensitive to the economic viability of the alcohol and gaming industries.
- Be client focused in the way we respond to and manage client and stakeholder needs.
- Educate clients and stakeholders and develop partnerships.
- Create a supportive work environment that respects and values AGCO staff contributions and provides them with opportunities for growth and professional achievement.

OVERVIEW AND KEY ACTIVITIES

Key Activities:

The AGCO is responsible for the administration of the following:

- *Liquor Licence Act*;
- *Wine Content and Labelling Act, 2000*;
- *Liquor Control Act [Section 3(1)b, e, f, g and 3(2)a]*;
- *Gaming Control Act, 1992*; and
- Lottery Licensing Order-in-Council (OIC) 2688/93 (as amended).

The administration of these Acts and this OIC involves the following core activities:

Regulating Alcohol and Gaming Sectors

- Licensing and regulating Ontario's establishments that sell or serve liquor, liquor delivery services, liquor manufacturers, their agents and agents of foreign manufacturers, and brew-on-premise facilities, as well as administering the Special Occasion Permit program, delivered through designated Liquor Control Board of Ontario retail stores.
- Authorizing manufacturers' retail stores, which include on-site and off-site winery retail stores, on-site distillery retail stores and brewery retail stores, and Brewers Retail Inc. stores ("The Beer Store").
- Registering commercial suppliers and gaming employees of charitable gaming events, casinos, charity casinos, and slot operations at racetracks.
- Administering the regulatory framework governing the issuance of charity lottery licences (e.g., bingo, raffle, and break open ticket events).
- Licensing games of chance at fairs and exhibitions.
- Approving rules of play or changes to rules of play for games of chance conducted and managed by the Ontario Lottery and Gaming Corporation.
- Excluding persons from accessing gaming premises in the province of Ontario pursuant to the *Gaming Control Act, 1992* and its regulations.

Investigating, Inspecting & Monitoring

- Inspecting and monitoring licensed establishments to ensure compliance with the *Liquor Licence Act* and regulations.
- Inspecting and monitoring casinos, charity casinos, slot operations at racetracks and charitable gaming events/facilities for compliance with the *Gaming Control Act, 1992*, its regulations, and licensing and registration requirements.

OVERVIEW AND KEY ACTIVITIES

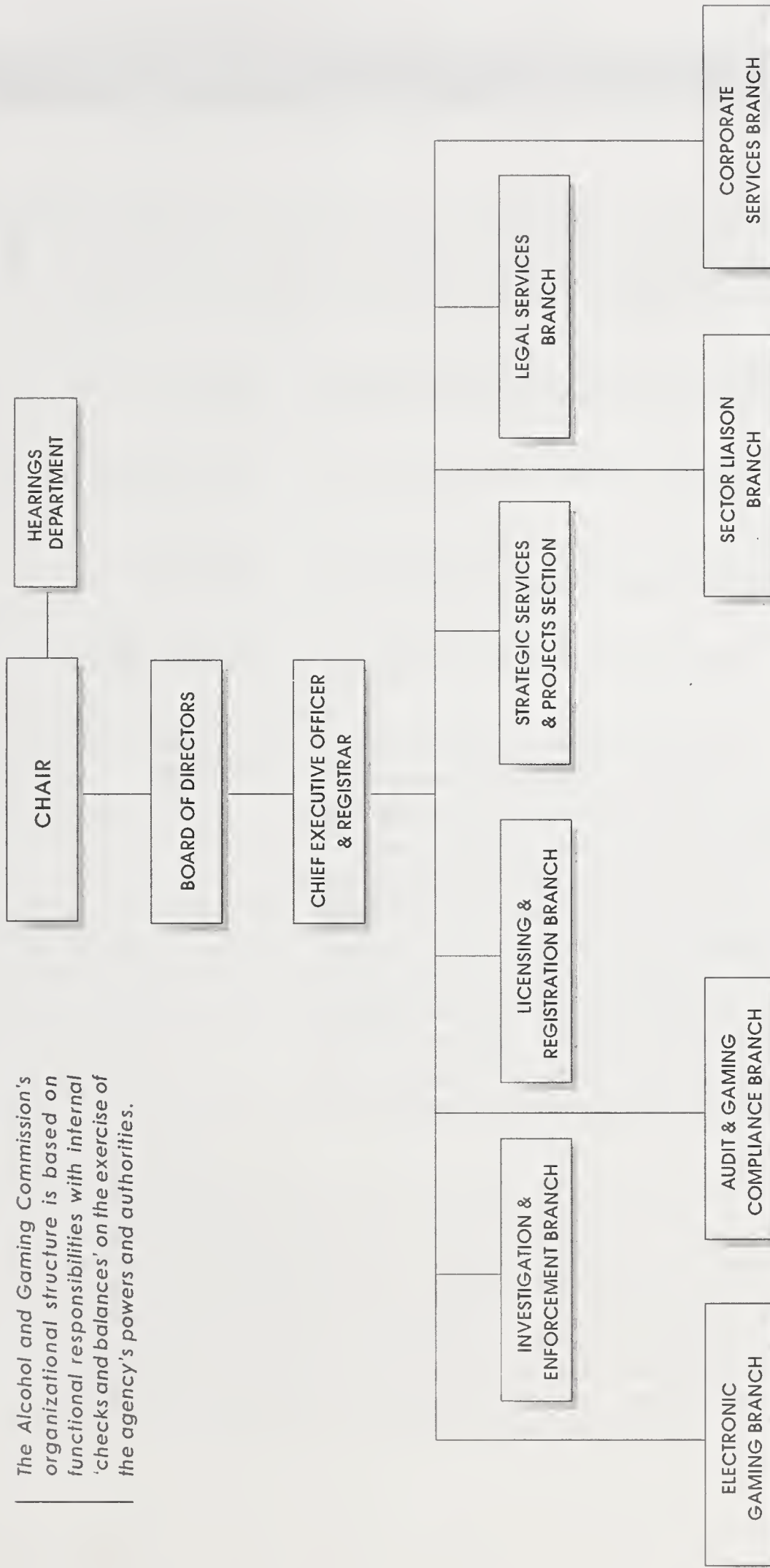
- Conducting background investigations on individuals and companies seeking registration and licensing under the *Gaming Control Act, 1992* and *Liquor Licence Act*.
- Providing police presence at casino, charity casino and slot operations at racetracks.
- Conducting audits of companies registered and licensed under the *Gaming Control Act, 1992* and *Liquor Licence Act*.
- Approving and monitoring internal control systems, surveillance and security systems, and other operational systems for casinos, charity casinos and slot operations at racetracks for compliance with all regulatory requirements.
- Testing, approving and inspecting slot machines and gaming systems.

Ajudication

- Conducting hearings on proposed disciplinary actions under the *Liquor Licence Act* and *Gaming Control Act, 1992*.
- Conducting hearings on Registrar's refusal to licence or register under the *Liquor Licence Act* and *Gaming Control Act, 1992*.
- Conducting compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*.
- Conducting public interest hearings to determine eligibility for liquor licensed premises, additions to liquor licensed premises or revocation of liquor licensed premises where the public files objections in response to a public notice advising of the request for a licence or an amendment thereof.

ORGANIZATIONAL STRUCTURE

The Alcohol and Gaming Commission's organizational structure is based on functional responsibilities with internal 'checks and balances' on the exercise of the agency's powers and authorities.



BOARD OF DIRECTORS*

The Alcohol and Gaming Regulation and Public Protection Act, 1996 constitutes the AGCO as a corporation without share capital and requires that the AGCO shall have a Board of Directors of at least five (5) members. Board members are appointed by the Lieutenant Governor, through Order-in Council, for up to a three-year term which may be renewed.

Interim Full-Time Chair: *Kirsti Hunt, Bilingual* (Interim Chair: March 2005 to October 2005, Board Member since April 1997)

Full-Time Chair: *G.R. (Randy) Barber,* (February 1997 to March 2005)

Part-Time Vice-Chairs: *Elaine Kierans, Bilingual* (May 1998 to May 2004)
Joel Kuchar, (February 1997 to September 2004)

Full-Time Member: *Allan Higdon,* (March 2005 to March 2008)

Part-Time Members: *Dianne M. Axmith,* (April 2003 to April 2006)
Jo-Anne Best, (June 2001 to June 2004)
Beryl Ford, (September 2004 to September 2006)
Brian Ford, (September 2004 to September 2006)
John M. Johnson, (April 2003 to May 2005)
Lorraine LeBlanc, (March 2005 to May 2005)
Patricia E. McQuaid, (April 2003 to April 2006)
Eleanor Meslin, (November 2000 to February 2008)
Vaughan Minor, (April 1998 to April 2004)
Bruce R.H. Monteith, (April 2003 to April 2006)
Jerry J. Moskaluk, (April 2003 to April 2005)
R. T. (Ted) Salci, (September 2001 to April 2004)

**The above list of Board of Directors reflects the period from April 1, 2004 to March 31, 2005.*

In addition to the Board's governance role, the Board conducts appeal and disciplinary hearings and prepares decisions under the *Liquor Licence Act* and the *Gaming Control Act, 1992*. The Board also conducts public interest hearings to review applications for liquor licences or additions to licensed premises where written objections to the issuance of a licence have been filed. The Board also conducts compliance order hearings and hearings on the wine authority's refusal to grant an approval or suspend, revoke or refuse to renew an approval to use the terms, descriptions and designations established by the wine authority under the *Vintners Quality Alliance Act, 1999*.

HEARINGS

Alcohol-Related Hearings for Fiscal Year	2003/04	2004/05
Hearing type based on Notice of Proposal issued by the Registrar of Alcohol and Gaming		
• Review Application	44	48
• Revoke	128	106
• Suspend	472	310
• Refuse to Transfer/Renew	15	19
• Conditions Removed	5	9
• Conditions Attached	1	0
• Other (disqualify premise)	2	0
Total Number of Hearings (not including hearings that were adjourned/continued after March 31 st , 2005 or where hearings have been held and decision not issued).	667	492

The total number of hearings held during this fiscal decreased by 26% compared to previous year due to the lack of Board members and/or their availability to preside over hearings.

Alcohol-Related Alternative Dispute Resolution for Fiscal Year	2003/04	2004/05
Number of Public Interest Meetings	96	45

Gaming-Related Alternative Hearings for Fiscal Year	2003/04	2004/05
Total Number of Hearings	14	24

2004 – 2005 OPERATIONAL OVERVIEW**Licensing and Registration****Number of Liquor Licensees and Number of Permits Issued**

The total number of alcohol beverage advertisements reviewed decreased (33%) compared to the previous year as a result of streamlining measures put in place. An advertising template has been implemented that allows brew-on-premise facility operators to change the price and variety of grapes in the advertisement without having to obtain pre-approval for such changes.

<i>For Fiscal Years</i>	2003/04	2004/05
Liquor Sales Licensed Establishments	17,095	16,906
Brew-on-Premise Facilities	610	627
Liquor Delivery Services	340	374
Manufacturers	170	182
Manufacturers' Representatives	557	613
Total	18,772	18,702
Alcohol Beverage Advertisements Reviewed	233	156
Special Occasion Permits Issued	65,633	65,468

Lottery Licences issued by AGCO

A total of 2,549 lottery licences were issued by the AGCO to eligible charitable or religious organizations to conduct and manage gaming events, including bingo, break open ticket and raffle events. The total number of lottery licences issued decreased by approximately 2% compared to the previous year primarily due to an overall decline in each category of charitable licences issued by the AGCO. Charitable gaming continues to face competition and limitations from a number of different sources, including *Criminal Code* (Canada) requirements, changing demographics, technological advances, and other gaming products.

<i>For Fiscal Years</i>	2003/04*	2004/05*
Bingo	1,894	1,898
Break Open Ticket (BOT)	463	431
Raffle	156	148
Social Gaming Events	94	72
Total	2,607	2,549

*Municipalities issue most lottery licences.

2004 – 2005 OPERATIONAL OVERVIEW

Number of Gaming Registrants in the Province

The decrease of charitable gaming registrants of approximately 8% compared to the last fiscal year can be attributed to the overall gaming environment in Ontario. As stated above, charitable gaming continues to face competition and limitations from a number of different sources.

<i>For Fiscal Years</i>	2003/04	2004/05
CHARITABLE GAMING		
Bingo Hall Operators	125	118
Gaming/Equipment Suppliers & Manufacturers	123	117
Break Open Ticket Sellers	5,713	5,328
Gaming Assistants	3,659	3,310
Sub-Total	9,620	8,873
CASINOS AND SLOT MACHINE FACILITIES		
Gaming Suppliers	2,871	2,824
Gaming Employees	19,011	19,149
Sub-Total	21,882	21,973
Total	31,502	30,846

Investigation, Enforcement and Compliance

11,000 occurrences

AGCO's Casino Enforcement Units investigated approximately 11,000 occurrences at the casinos, charity casinos and slot operations at racetracks during this fiscal year, in addition to assisting local police with non-gaming related investigations.

Niagara Fallsview Casino Resort

While maintaining service levels and regulatory oversight of Ontario's 25 existing gaming facilities, the AGCO staff completed pre-opening inspection activities prior to the opening of Niagara Fallsview Casino Resort, the largest of all gaming facilities in Ontario.

Casinos, charity casinos and slot operations at racetracks are subject to regulatory requirements and AGCO oversight to maintain public confidence that gaming facilities are operated with honesty and integrity. These requirements include registration of suppliers and employees, and approval of rules of play, gaming equipment, gaming management systems, slot machines, chips and

2004 – 2005 OPERATIONAL OVERVIEW

tokens, internal control systems, surveillance and security systems, credit, record keeping, and recording of large cash transactions.

**42,900 electronic
gaming inspections**

Over 42,900 electronic gaming devices, including slot machines, were inspected this year without disrupting day-to-day gaming facility operations. All electronic gaming equipment must be tested, approved and inspected before it can be offered for patron play to ensure that it is not susceptible to cheating and meets acceptable standards of randomness, as well as hardware and software requirements.

The AGCO has Electronic Gaming Officers on-site at the casinos, who are responsible for verifying new electronic gaming equipment, conducting random checks on approved electronic gaming equipment, and performing slot machine jackpot verifications for wins of \$30,000 or more.

**22,700 liquor
inspections**

AGCO's Liquor Enforcement continues to focus their work with local law enforcement agencies on joint forces projects targeted at higher risk facilities and problem establishments identified in conjunction with local authorities. As well, during this fiscal year, over 22,700 inspections of liquor sales licensed establishments were conducted.

**1,130 Notices of
Proposal**

As a result of Liquor Enforcement's continued efforts, combined with the efforts of Licensing & Registration and Legal Services, over 1,130 Notices of Proposal to review, suspend or revoke a liquor licence were issued during fiscal year 2004/05.

ONTARIO GAMING FACILITIES

Charity Casinos	No. of Slots	No. of Tables	Location	Open to Public
Brantford Charity Casino	452	55	Brantford	Nov. 19/99
Great Blue Heron Charity Casino	432	50	Port Perry	May 5/00
Point Edward Charity Casino	452	37	Point Edward	Apr. 20/00
Sault Ste. Marie Charity Casino	451	16	Sault Ste. Marie	May 23/99
Thousand Island Charity Casino	452	18	Gananoque	Jun. 22/02
Thunder Bay Charity Casino	448	17	Thunder Bay	Aug. 30/00

2004 – 2005 OPERATIONAL OVERVIEW

Commercial Casinos	No. of Slots	No. of Tables	Location	Open to Public
Casino Niagara	2,738	138	Niagara Falls	Dec. 9/96
*Niagara Fallsview Casino Resort	3,000	150	Niagara Falls	Jun. 8/04
Casino Rama	2,347	116	Orillia	Jul. 31/96
Casino Windsor	3,288	108	Windsor	Interim: May '94 Permanent: July 29/98

**New gaming facility*

Slots at Racetracks	No. of Slots	Location	Open to Public
Clinton Raceway	100	Clinton	Aug. 26/00
Dresden Raceway	100	Dresden	Apr. 20/01
Flamboro Downs	752	Dundas	Oct. 13/00
Fort Erie Racetrack	1,206	Fort Erie	Sept. 11/99
Georgian Downs	401	Barrie	Nov. 29/01
Grand River Raceway	200	Elora	Dec. 6/03
Hanover Raceway	100	Hanover	Feb. 21/01
Hiawatha Horse Park	452	Sarnia	May 10/99
Kawartha Downs Raceway	380	Peterborough	Nov. 24/99
Mohawk Raceway	750	Milton	Aug. 12/99
Rideau Carleton Raceway	1,250	Ottawa	Feb. 18/00
Sudbury Downs Raceway	331	Sudbury	Nov. 28/99
Western Fair	750	London	Sept. 30/99
Windsor Raceway	750	Windsor	Dec. 18/98
Woodbine Raceway	1,710	Toronto	Mar. 29/00
Woodstock Raceway	100	Woodstock	Jun. 22/01

2004 – 2005 OPERATIONAL OVERVIEW

Operational Efficiencies and Highlights

As the regulator of the liquor and gaming industries, the AGCO strives to be fair, responsive and service oriented. Education and awareness are key components for promoting compliance within the liquor and gaming industries throughout the province. The AGCO continues to work proactively with liquor licensees and gaming registrants to assist in the development of high marketplace standards and voluntary compliance.

Liquor Inspections

The AGCO continues to enhance co-ordination with the other provincial and local agencies with respect to liquor enforcement. As part of AGCO's focus on enforcement efforts involving illegal activities in licensed establishments, and to foster better co-ordination with other provincial and local agencies, enforcement staff have been trained with the knowledge and expertise required for the changing environment, and educational programs have been developed for local enforcement agencies as it relates to liquor enforcement.

Liquor Enforcement Inspection and Reporting Systems (LEIRS)

In December 2003, a system was implemented called the "Liquor Enforcement Inspection Reporting System". LEIRS was developed to help facilitate and expedite targeted and random inspections of licensed establishments and to enhance the quality and review of inspections while decreasing the turnaround time on reporting inspection results. It changed the liquor inspection process from a traditional paper-based system to one which uses Hand-Held Pocket PC devices to assist inspectors in conducting inspections and creating reports.

After a year in use, AGCO has increased enforcement productivity. The number of reports submitted by Liquor Inspectors has increased by 24% using LEIRS versus the traditional paper-based system. The LEIRS system has also proven to be cost-effective; it is estimated that about half a million sheets of paper per year are saved.

Audit and Gaming Compliance

The Audit and Gaming Compliance Branch oversees internal controls through regular compliance inspections and audits at the twenty-five gaming sites in the province. Control guidance is contained in the Internal Control Manuals prepared by each operator. AGCO inspectors regularly test the operator's compliance with their manuals. During the year the Branch worked closely with the Ontario Lottery and Gaming Corporation to consolidate and update their Internal Control Manuals. Previously, the OLGC had two manuals – one governing Slots at Racetrack operations and another document governing Charity Casinos. The AGCO provided extensive recommendations on the combined document, ensuring the necessary operational controls were in place.

Electronic Gaming Equipment and System Approvals

The gaming marketplace continues to change as consumer demands and increased competition in border communities continues to grow. Operators of casinos and slot

2004 – 2005 OPERATIONAL OVERVIEW

operations at racetracks are facing more and more challenges as competition for the entertainment dollar, including cross-border competition, increases.

The AGCO must remain responsive to the increasing demand for testing and approval of new gaming equipment and gaming management systems. The gaming testing laboratory previously housed off-site, was moved in-house to the AGCO's Electronic Gaming Branch. By doing so, approval processes will be streamlined and approval turnaround times reduced to maximize service delivery to our clients. As well, an in-house operation allows for AGCO to acquire its own in-house expertise and improve training for field staff resulting in enhanced enforcement practices that are necessary as new gaming technologies become more and more complex.

Charity Gaming

The AGCO continued its work with the bingo and break open ticket stakeholder groups in an effort to assist the charitable gaming sector to remain viable in a complex and competitive environment. The groups are comprised of charitable and industry association representatives. Both groups have proposed initiatives to introduce flexibility to the charitable gaming regulatory framework for bingo and break open tickets and have been instrumental in developing new options for the charitable gaming industry throughout the years.

The break open ticket segment of the charitable gaming industry was a key focus this fiscal year. The group identified opportunities to test changes in the marketplace in order to evaluate their impact and effectiveness in slowing the decline and possibly increasing sales of break open tickets. New product types, new percentage prize boards, changes to the licensing model, and adjustments to the terms and conditions were introduced to the market through controlled pilots in third party retail locations, bingo halls, and charity owned locations. Data collected over an eight month period demonstrated an increase in sales.

During this same period, additional advancements were made through the Break Open Ticket Development Fund. This fund was established through contributions from members and the management committee includes representation from all segments of the industry. Through this fund, an initiative to establish a brand identity for break open tickets in the Ontario market has been undertaken in order to enhance the identity, marketing, and promotion of the product. As part of this initiative, qualitative consumer research has been conducted and is now available to the industry forming part of a sound foundation for decision making as the industry continues to move forward.

To support greater flexibility and innovation in break open tickets, the Registrar also announced a change in the accessibility of the product. The change will pave the way for a more diverse and competitive market while maintaining controls to ensure integrity of the product and was made available to licensees in May 2005.

During this period, advancements continue in the bingo sector as well. Requests for changes to existing game formats and introductions of new initiatives continue to be received, assessed, and implemented in a timely fashion while the industry undertakes a move to a more strategic approach to change through ongoing consultation and collaboration with stakeholders.

2004 – 2005 OPERATIONAL OVERVIEW**Customer Service**

As part of our service delivery program, AGCO staff continues to provide clients with personal service through our Customer Service Unit. During the 2004/2005 fiscal year the customer service staff provided over 97,700 customers with assistance regarding licensing and registration issues in addition to handling over 13,700 customers at AGCO's head office front desk. There were also over 35,500 customers that were able to self-serve themselves through our integrated voice messaging system.

Media Relations

During this fiscal year 2004/2005, the AGCO handled over 580 media inquiries representing an increase of 43% compared to last fiscal with only 406 media inquiries. The significant increase in media calls is primarily due to the media's interest in the introduction of "Bring Your Own Wine" and "Take Home the Rest".

AGCO Website

The AGCO is committed to providing its clients with accurate and timely information. On average, there have been approximately 100 changes to our website every year since the site was launched.

The AGCO website provides clients, and the general public, with timely and easily accessible information about liquor and gaming policies administered by the AGCO. Users of the site have access to all the registration and licensing application forms, instruction guides and all publications, annual reports and newsletters made available by the AGCO. AGCO's website can be found at www.agco.on.ca.

LEGISLATIVE AND REGULATORY UPDATES

The AGCO continues to work with Ministry of Consumer and Business Services staff on legislative and regulatory amendments to the *Liquor Licence Act*, *Gaming Control Act*, 1992 and *Wine Content and Labelling Act*, 2000. As a result, the following amendments have been approved by the government for this fiscal year 2004 - 2005:

- As of January 24, 2005, amendments have been made to the *Liquor Licence Act* and its regulations to:
 - provide licensed establishments the option to participate in the "bring-your-own-wine" and "take home the rest" programs. These changes allow patrons to bring commercially-made wine to participating licensed establishments and to remove partially consumed wine from a licensed premise;
 - eliminate the requirement for lids on alcoholic beverages served at stadiums. This requirement represented an additional cost to businesses and did not enhance social responsibility standards;

- allow the Registrar of Alcohol and Gaming to immediately suspend a liquor licence where there is a threat to public safety;
 - double the minimum fines for offences related to liquor and underage persons. The minimum fine for a licensee would increase from \$500 to \$1,000, and for a non-licensee from \$100 to \$200; and
 - create new offences for failing to leave a premise when required to by a police officer, or for returning to a premise the same day after being asked to leave by a police officer.
- As of February 1, 2005, an amendment has been made to the *Liquor Licence Act* and its regulations that,
 - require liquor sales premises licensed under the *Liquor Licence Act*, brew-on-premise facilities, LCBO stores and other retail stores authorized to sell beverage alcohol to post signs warning women that drinking alcohol during pregnancy can cause Fetal Alcohol Spectrum Disorder. The required signs have been posted on AGCO's website in colour and black and white.

PERFORMANCE MEASURES

The 2004/2005 end results for performance goals established for the agency were all on target.

Performance Goal	Performance Measure	2004-2005 Target and Commitment
CONSUMER PROTECTION: Provide for high standards of consumer protection, public safety and business practices.	Strive to be the best jurisdiction in North America for consumer protection and safety.	Appropriate resources were allocated to assist local enforcement with priority gaming and alcohol compliance matters. Overall, 95% of requests from local enforcement agencies were addressed and 100% of high priority concerns were responded to.
CUSTOMER SATISFACTION: Respond to the public's need for efficient service that gives value for money.	Satisfied Customers.	Monitored and assessed 100% of complaints received and took appropriate measures to eliminate systemic and operational problems and satisfactorily resolve 90% of complaints related to service.

FINANCIAL PERFORMANCE

The Alcohol and Gaming Commission of Ontario (AGCO) remits all revenues collected to the government's consolidated revenue account, and operates within a separate budget allocation contained in the Ministry of Consumer and Business Services' printed estimates. For the fiscal year ending March 31, 2005, the AGCO managed all operating expenditures within its budget allocation.

2004/2005 FISCAL YEAR: REVENUES AND EXPENDITURES

	Fiscal Year April 1, 2003 to March 31, 2004	Fiscal Year April 1, 2004 to March 31, 2005
Revenues		
Fees and Levies	\$524,170,000	\$523,648,000
Total	\$524,170,000	\$523,648,000
Expenditures		
Salaries and Benefits	\$33,826,748	\$35,368,058
Other Direct Operating Expenses	\$11,054,628	\$11,188,760
Less Recoveries	(\$5,249,402)	(\$7,042,530)
Total	\$39,631,974	\$39,514,288

Audit

The AGCO is subject to Ministry of Consumer and Business Services review and audit. In addition, the AGCO is subject to Provincial Audit and additional audits that the Minister may require.

APPENDICES

Gaming: Legal Framework*Criminal Code of Canada*

The *Criminal Code of Canada* (the "Code") establishes what types of gaming activities are legal, and the provinces are assigned responsibility for operating, licensing and regulating legal forms of gaming.

Part VII of the Code prohibits gaming in general, while Section 207 (1) allows for a number of exceptions to the general prohibition. Specifically, it permits "lottery schemes" provided that they are:

- "Conducted and managed" by the province in accordance with any law enacted by that province;
- "Conducted and managed" by a licensed charitable or religious organization provided that the proceeds of the lottery scheme are used for a charitable or religious purpose; and
- "Conducted and managed" by a licensed board of a fair or exhibition or by an operator of a concession leased by that board.

"Lottery schemes" are defined under the Code but do not include: three-card monte, punch board or coin table; book-making, pool selling or the making or recording of bets; and games operated through a computer, video device or slot machine, unless the lottery scheme is managed and conducted by the province (Sec. 207(4)).

Only the government of a province can conduct and manage a lottery scheme involving dice, slot machines or other computer devices.

Gaming Control Act, 1992

The *Gaming Control Act, 1992* (formerly the *Gaming Services Act*), which was proclaimed in February of 1993, provides for the regulation of gaming operations, suppliers and gaming assistants/employees of casinos, charity casinos, slot machine facilities and charitable gaming events.

Order-in-Council 2688/93 (as amended)

Order-in-Council 2688/93 (the "OIC") provides that charitable organizations may be licensed by either the Registrar appointed under the *Gaming Control Act, 1992* (the "Registrar") or, depending on the type of charitable gaming event and the value of prizes to be awarded, a municipal council, to conduct and manage gaming events. The OIC outlines terms and conditions that apply to lottery licences. The OIC also provides that the Registrar may attach additional terms and conditions to any licences he or she issues, and that municipal councils may attach terms and conditions to licences they issue provided they do not conflict with those of the Registrar.

In order to qualify for a lottery licence, an organization must have a "charitable object or purpose". Charitable object or purpose is defined at common law and under the OIC as any object or purpose relating to:

- The relief of poverty;
- The advancement of education;
- The advancement of religion; or
- Any other purpose beneficial to the community.

APPENDICES

The AGCO estimates money spent annually by the public on charitable gaming province-wide at approximately \$1.5 billion. Licensed charitable gaming in Ontario benefits thousands of local community charitable organizations. The AGCO estimates that charitable organizations in Ontario raised approximately \$223 million by holding licensed lottery events.

2004 ESTIMATE OF PROVINCE-WIDE CHARITABLE GAMING REVENUES

	Gross Wager	Net Revenues	Charity Profit
Bingos	\$973,000,000	\$206,000,000	\$108,000,000
Break Open Tickets	\$309,000,000	\$103,000,000	\$38,000,000
Raffles	\$239,000,000	\$147,000,000	\$77,000,000
Total	\$1,521,000,000	\$456,000,000	\$223,000,000

Authority for Lottery Licensing

Municipalities and the AGCO have responsibility for issuing lottery licences.

The Order-in-Council provides municipalities with licensing authority for:

- Bingo events, including table board bingo, with prizes of up to \$5,500;
- media bingo events with prizes up to \$5,500;
- break open tickets for local organizations;
- raffles up to \$50,000 in prizes; and
- bazaar lotteries which include: wheels of fortune with a maximum bet of \$2.00, raffles not exceeding \$500, and bingo events up to \$500.

The Registrar of Alcohol and Gaming is the licensing authority for:

- bingo events over \$5,500 in prizes; super jackpot bingo events; progressive bingo game events;
- social gaming events (i.e., table game event held in conjunction with a social event);
- raffles over \$50,000;
- break open tickets sold in conjunction with other gaming events;

- break open tickets sold by organizations with a provincial mandate;
- fairs and exhibitions; and
- lotteries held in unorganized territories.

The AGCO establishes the framework for municipalities to exercise their authority by establishing the terms and conditions for each type of licence, providing direction regarding determining eligibility of organizations for licensing, as well as providing assistance with compliance and enforcement. Compliance staff handles many inquiries from municipalities seeking guidance on the interpretation of licensing policies and terms and conditions. In addition, compliance staff provides information and training sessions for municipalities, licensing officers, charities and suppliers.

First Nations Lottery Licensing

In 1998, the government approved a First Nations lottery-licensing framework, which delegates authority comparable to that of municipalities to individual First Nations. An Order-in-Council (OIC) is issued to each participating First Nation. The OIC provides First Nations with authority to issue licences to religious and charitable organizations to conduct lottery schemes.


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    MCS[MINISTRY OF CONSUMER & BUSINESS SERVICES] --> ORC[ONTARIO RACING COMMISSION]
    MCS --> AGC[ALCOHOL AND GAMING COMMISSION]
    ORC -- Regulation --> R[RACETRACKS]
    M[MUNICIPALITIES] -- "Charity Lottery  
Licensing" --> CG[CHARITY GAMING]
    AGC -- "Regulation  
Licensing" --> CG
    AGC -- Regulation --> CC["CHARITY CASINOS"]
    AGC -- Regulation --> C[CASINOS]
    OLC[ONTARIO LOTTERY AND GAMING CORPORATION] -- "Business Management of Slot Machines" --> R
    OLC -- "Big Link Bingo" --> CG
    OLC -- "Business Management" --> CC
    OLC -- "Business Management" --> C
    OLC -- "Self Regulated" --> TL[TRADITIONAL LOTTERIES]
    MET[MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE] --> OLC
  
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In accordance with the *Criminal Code of Canada* and the *Ontario Lottery and Gaming Corporation Act, 1999*, the Ontario Lottery and Gaming Corporation (OLGC) is responsible for the "management and conduct" of the gaming operations at commercial casinos, charity casinos, slot machine

Municipalities and the AGCO have responsibility for issuing lottery licences – the majority of lottery licences are issued by municipalities in the province – primarily to religious and charitable organizations for bingo and break open ticket licences.

APPENDICES

Alcohol: Legal Framework

Liquor Licence Act

The *Liquor Licence Act* establishes the licensing and regulating regime for the sale and service of beverage alcohol in Ontario (except for retail sale to the public by the Liquor Control Board of Ontario).

Various classes of licences and permits are established including:

- licence to sell beverage alcohol;
- licence for brew-on-premise facilities;
- licence for liquor delivery service;
- manufacturers' licence;
- licence to represent a manufacturer of beverage alcohol; and
- special occasion permits for the sale and service of beverage alcohol on special occasions. For example, cash bars at fundraising events, weddings and receptions.

The *Liquor Licence Act* also establishes the basic rules for sale and service of beverage alcohol:

- no sale or service to persons under the age of 19;
- no sale or service to persons who appear to be intoxicated;
- no sale of beverage alcohol before 11:00 a.m. or after 2:00 a.m. (unless otherwise stipulated);
- no sale of illegal beverage alcohol; and
- where beverage alcohol may be consumed (residence, licensed premises, private place).

The *Liquor Licence Act* and regulations provide for an inspection and enforcement regime to ensure that licensees and permit holders are in compliance with the law and regulations relating to the sale and service of beverage alcohol.

Liquor Control Act (Section 3(1)b, e, f, g and 3(2)a)

Effective July 3, 2001, the Alcohol and Gaming Commission of Ontario assumed responsibility from the LCBO for the following:

1. To control the delivery of liquor to the public;
2. To authorize manufacturers of beer and spirits and wineries that manufacture Ontario wine to sell their spirits, beer or Ontario wine in stores owned and operated by the manufacturer or winery and to authorize Brewers Retail Inc. to operate stores for the sale of beer to the public;
3. To control and supervise the marketing methods and procedures in stores owned and operated by manufacturers and wineries referred to in number 2;
4. To determine, subject to the *Liquor Licence Act*, the municipalities within which stores owned and operated by manufacturers and wineries referred to in number 2 shall be established or authorized and the location of such stores in municipalities;
5. To establish conditions, subject to any regulation, with respect to authorizations for stores owned and operated by manufacturers and wineries referred to in number 2; and
6. To establish conditions, subject to any regulations, with respect to authorizations granted with respect to the delivery of liquor to the public.

Wine Content and Labelling Act, 2000

The *Wine Content and Labelling Act, 2000* specifies that an Ontario winery may manufacture and sell wine in the province using imported grape or grape products. If an Ontario winery uses imported grapes or grape products in manufacturing its wine, the content of each bottle of wine manufactured by the winery must be no less than 30% Ontario grapes or grape product.

